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October 31, 2002

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

Re: *Ex Parte* Presentation – re: Public Meeting on Proposals to Reform
the Commission's Universal Service Contribution Methodology, CC
Dkt Nos. 96-45, 98-171, 90-571, 92-237, NSD File No. L-00-72;
and CC Docket Nos. 99-200, 95-116, 98-170.

Dear Ms. Dortch:

Pursuant to sections 47 C.F.R. § 1.1206(b)(1) and (2) of the Commission's rules, the Ad Hoc Telecommunications Users Committee (Ad Hoc) hereby submits an electronic *ex parte* response to the October 10, 2002 *ex parte* submission of BellSouth and SBC Communications in the above-referenced dockets.

The BellSouth / SBC *ex parte* filing, (hereinafter the Joint Submission), among other things, proposes modified bandwidth capacity units for assessing universal service contributions from providers of special access and private line services. According to Bell South and SBC they have proposed modified "[b]andwidth capacity units to maintain approximately the same proportionate contribution obligation for basic and high-capacity services as exists today."¹ The Joint Submission's proposed modified bandwidth capacity units is part of a more comprehensive proposal that among other things would assess residential and business switched access lines using the same base rate.² According to the

¹ Joint Submission, at 2.

² *Id.*

Joint Submission, its proposal would generate, “[a] relatively low contribution obligation of only \$0.43...” for switched residential and business line connections to local and long distance service.³ The Joint Submission does not differentiate between single line business connections and multi-line business connections. In other words, the Joint Submission does not suffer from the residual assessment mechanism that is a part of the CoSUS plan.⁴

The Joint Submission’s proposed modified bandwidth capacity units would over-fund the Universal Service Fund (USF), assuming a constant USF, if the Commission were to combine the proposed modified bandwidth capacity units with the residual mechanism that is part of the CoSUS plan. Thus the Joint Submission does not provide a basis for modifying the bandwidth capacity units in the CoSUS plan. The proposed modified bandwidth capacity units can be only used with the rest of the Joint Submission. There is no basis in the record for doing otherwise.

The Joint Submission fails to provide documentation to support the special access counts, which are critical to the Joint Submission’s calculation of the number of capacity units needed to generate the contribution objective that seems to motivate the Joint Submission’s proposed modified bandwidth capacity units. If *actual* line counts are less than those used by BellSouth and SBC to develop the Joint Submission, as Ad Hoc suspects to be the case, the proposed bandwidth capacity units would need to increase or the switched line assessments must increase.

The size of the USF at the time of implementation of new USF assessment methodology also, of course, would directly affect the proposed bandwidth capacity units and/or the switched line assessments. The Joint Submission used an estimated USF size of about \$5.37 billion.⁵ Ad Hoc estimates that the USF will be about \$6.4 billion in 2003, the first year in which the new assessment methodology would be implemented. Accordingly, Ad Hoc submits that the Joint Submission has understated the bandwidth capacity units that actually would be needed to meet USF requirements in 2003.

³ *Id.*

⁴ CoSUS’ plan would initially assess residential and single line business connections and activated wireless numbers at a \$1.00 rate. Because the \$1.00 is utterly arbitrary and would not generate enough revenues to fully fund the Universal Service Fund, CoSUS would cover the residual funding requirement by assessing switched multi-line connections at a much higher rate. CoSUS first estimated that the multi-line assessment rate would be about \$2.73. Now it appears as though the multi-line connection assessment would be *at least* \$4.00. Ad Hoc was part of CoSUS, but no longer supports the residual mechanism component of the CoSUS proposal. See, Ad Hoc’s October 3, 2002 *ex parte* filing in this proceeding.

⁵ See the WorkSheets submitted with the Joint Submission to support the various “runs” presented with the Joint Submission. The Joint Submission estimated the USF by annualizing the fourth quarter 2001 USF requirement.

As Ad Hoc understands the Joint Submission, it would, like the CoSUS proposal, shift to subscribers of business services all of the risk associated with uncertain connection counts and growth in the USF. The Joint Submission, however, would shift the risk to an even smaller group of subscribers, i.e., special access and private line subscribers. This approach is unjustly discriminatory with respect to these subscribers. It is not justified by any legitimate public policy goal, or by the record. Were the Commission to adopt such an approach, it would engage in arbitrary and capricious decision-making.

Pursuant to sections 47 C.F.R. § 1.1206(b)(1) and (2) of the Commission's rules, copies of this letter are being filed electronically with the Office of the Secretary. Copies are also being served electronically on the Commission personnel listed below.

Sincerely,

A handwritten signature in black ink, appearing to read "James S. Blaszk", written in a cursive style.

James S. Blaszk
Counsel to
Ad Hoc Telecommunications
Users Committee

Cc: Michael Powell
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Michael Copps
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